

Message Text

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67

ACTION EUR-12

INFO OCT-01 ARA-06 ISO-00 SAJ-01 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 PA-01 PRS-01 USIA-06 L-02 H-01 /089 W

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P R 261855Z FEB 75

FM AMEMBASSY PARIS

TO SECSTATE WASHDC PRIORITY 7047

INFO USMISSION EC BRUSSELS

AMCONSUL BORDEAUX

AMCONSUL LYON

AMCONSUL MARSEILLE

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PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, PINT, FR

SUBJECT: PRESIDENT GISCARD'S FEBRUARY FIRESIDE CHAT

REF: PARIS 2149

SUMMARY. GISCARD'S FEBRUARY 25 FIRESIDE CHAT, WHILE SKILLFUL, WAS EVEN MORE CONTRIVED THAN HIS JANUARY PERFORMANCE (REFTEL). HE OFFERED NO NEW INSIGHTS INTO THE GOF ANALYSIS OF FRANCE'S ECONOMIC SITUATION, ALTHOUGH HE DID ANNOUNCE SOME LIMITED MEASURES TO SPEED UP INCREASES IN AID TO THE ELDERLY AND FAMILY ALLOWANCES, AND TO AID FARMERS, ESPECIALLY LIVESTOCK PRODUCERS. HIS MAJOR THEME WAS TWO-FOLD: IT IS POSSIBLE TO SUS-
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TAIN THE NATION'S ECONOMIC ACTIVITY WITHOUT RELAUNCHING

INFLATION; AND FRANCE HAS PROBLEMS BUT IS DOING BETTER THAN ALL THE OTHER INDUSTRIALIZED COUNTRIES. ONCE AGAIN HE TIPTOED AROUND THE PROBLEM OF UNEMPLOYMENT. IN MAKING A PLEA FOR SELECTIVE, MEASURED CHANGE, HE ATTEMPTED TO SLICE ANOTHER BIT OF GROUND FROM UNDER THE OPPOSITION'S FEET WHILE TRYING TO CONVINCE A SKEPTICAL PUBLIC OF HIS LIBERAL INTENTIONS. END SUMMARY.

1. THE FRENCH ECONOMY -- DEJA VU. GISCARD'S ECONOMIC COMMENTARY COULD NOT BUT REMIND HIS AUDIENCE OF EARLIER PERFORMANCES, DATING BACK TO HIS TIME AS FINANCE MINISTER. FAMILIAR THEMES INCLUDED:

A. "TOUT VA BIEN" (OR AT LEAST BETTER THAN ELSEWHERE). FRANCE'S ECONOMIC GROWTH IN 1975 (3 PERCENT IN REAL TERMS) WILL BE BETTER THAN THAT OF ANY MAJOR INDUSTRIAL NATION, GISCARD SAID. INFLATION FOR 1975 WILL BE LESS THAN 10 PERCENT, ACCORDING TO UNNAMED "INTERNATIONAL OBSERVERS" (WHO CLEARLY DIFFER FROM OECD FORECASTERS). THIS IS BECAUSE FRANCE WILL STIMULATE ITS ECONOMY AND REDUCE UNEMPLOYMENT WITHOUT ACCELERATING INFLATION -- "UNLIKE THE UNITED STATES, WHERE THEY HAVE BOOSTED INFLATION WITHOUT REDUCING UNEMPLOYMENT." FRANCE'S TRADE BALANCE HAS RETURNED "NEAR TO EQUILIBRIUM," ALTHOUGH ADMITTEDLY LARGELY DUE TO A DROP IN IMPORTS.

B. "LE MAL, C'EST LA FAUTE DES AUTRES." GISCARD REHASHED THE OLD SAW THAT FRANCE'S INFLATION AND UNEMPLOYMENT PROBLEMS WERE IMPORTED -- ONE CAUSE OF THE FORMER BEING THE OLD BOGEY OF "INTERNATIONAL MONETARY DISORDER."

C. "PETITS PAS." WHILE GISCARD SEEMED TO IMPLY SOME SHIFT IN PRIORITIES FROM INFLATION TO UNEMPLOYMENT BY STATING THAT TIME HAS COME TO "SUPPORT THE ECONOMY PROGRESSIVELY," HIS NEW WELFARE MEASURES ARE CLEARLY MORE A SUBSIDY TO FARMERS THAN A BOOST TO PURCHASING POWER. HE ANNOUNCED AID TO FARMERS AT TOTAL LIMITED OFFICIAL USE

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OF 2.7 BILLION FRANCS. ACCELERATION BY TWO MONTHS OF PROMISED INCREASE IN OLD PENSIONS FROM 18 TO 20 FRANCS PER DAY WILL INCREASE FRENCH INCOMES BY NO MORE THAN 300 MILLION FRANCS, WHILE FOUR-MONTH ACCELERATION OF 7 PERCENT INCREASE IN FAMILY ALLOWANCES (EFFECTIVE APRIL 1 INSTEAD OF AUGUST 1) WILL ADD ABOUT ANOTHER 700 MILLION FRANCS TO INCOMES. WHILE THESE MEASURES MAY BE SEEN AS A NOD TO UNION DEMANDS FOR SUPPORT OF THE

ECONOMY THROUGH INCREASED CONSUMPTION, IN REALITY SUCH
ECONOMIC "SMALL STEPS" ARE LITTLE MORE THAN TIPTOEING
THROUGH THE TULIPS OF AN EARLY PARIS SPRING.

D. "INDEPENDENCE." SO THAT FRANCE WILL BE
"ECONOMICALLY INDEPENDENT," GISCARD FIXED A GOAL OF A
RETURN TO BALANCE OF PAYMENTS EQUILIBRIUM BY 1980.
THIS IS A LONG ROAD TO TRAVEL, AS 1974 TOTAL DEFICIT
WAS PROBABLY IN EXCESS OF 30 BILLION FRANCS.

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2. IN ADDRESSING THE QUESTION OF UNEMPLOYMENT WHICH
HAS BECOME THE NUMBER ONE PREOCCUPATION OF FRENCH

PUBLIC LIFE, GISCARD SKILLFULLY AVOIDED THE NUMBERS GAME IN WHICH LABOR UNIONS, ECONOMISTS AND GOF OFFICIALS HAVE BEEN INVOLVED IN TRYING TO ASSESS PRECISE UNEMPLOYMENT LEVEL. GISCARD LIMITED HIMSELF TO DRAWING A DISTINCTION AMONG A. JOB APPLICANTS, INCLUDING PERSONS SEEKING TO ENTER THE LABOR MARKET FOR THE FIRST TIME; B. UNEMPLOYED RECEIVING UNEMPLOYMENT OR WELFARE ASSISTANCE; AND C. THOSE PARTIALLY UNEMPLOYED BECAUSE OF REDUCED WORKWEEKS.

3. HE URGED THAT UNIONS AND MANAGEMENT RESUME NEGOTIATION LIMITED OFFICIAL USE

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TIONS -- BROKEN OFF FEBRUARY 18 -- TO RESPOND TO THE NEED TO RAISE THE 5.10-FRANC HOURLY RATE PAID TO PARTIALLY UNEMPLOYED FOR REDUCED WORKWEEK. ALTHOUGH NO STATISTICS ARE AVAILABLE, THERE IS A GROWING AWARENESS THAT THE NUMBER OF PARTIALLY UNEMPLOYED HAS INCREASED CONSIDERABLY, LARGELY IN RESPONSE TO GOF APPEALS TO EMPLOYERS TO AVOID LAYOFFS BY REDUCING WORKWEEKS. AN ANOMALOUS SITUATION HAS DEVELOPED, HOWEVER, IN THAT THOSE PARTIALLY UNEMPLOYED ARE CONSIDERABLY WORSE OFF THAN THOSE LAID OFF (BECAUSE OF THE OCTOBER 14 AGREEMENT PROVIDING FOR PAY FOR UP TO A YEAR TO THOSE LAID OFF FOR ECONOMIC REASONS); HENCE ADDITIONAL PRESSURE TO CORRECT THIS APPARENT INEQUITY. GISCARD PROMISED THAT GOF WILL BE READY TO CONTRIBUTE TO MEET THE COST OF AN INCREASE IN THE 5.10-FRANC RATE.

4. REFORMS. THE LATTER PORTION OF GISCARD'S ADDRESS WAS MORE PURELY POLITICAL. REFERRING TO THE THREE MAJOR GOVERNMENT REFORM PROJECTS RECENTLY MADE PUBLIC -- BUSINESS ENTERPRISE, THE EDUCATIONAL SYSTEM AND DIVORCE -- HE INDICATED THAT HE WANTS A LARGE PUBLIC DEBATE ON THESE ISSUES TO ELABORATE A SYSTEM OF REFORMS "PROPOSED, NOT IMPOSED" BY THE GOVERNMENT. ONLY AFTER THIS PUBLIC DEBATE WILL THE PROJECTS BE TAKEN UP IN THE NATIONAL ASSEMBLY.

5. COMMENT. THIS PART OF THE SPEECH IN PARTICULAR DEMONSTRATES HOW MUCH GISCARD'S STYLE DIFFERS FROM THAT OF TRADITIONAL FRENCH SPEECHMAKING AND EXERCISE OF GOVERNMENTAL LEADERSHIP. AS A RESULT HE MAY SOUND TO SOME EARS AS CONTRIVED AND NOT ENTIRELY SINCERE. IN ATTEMPTING TO MAKE FRENCH POLITICAL LIFE MORE DEMOCRATIC, GISCARD IS TRYING TO SLICE ANOTHER BIT OF GROUND FROM UNDER THE OPPOSITION'S FEET AS THE QUARREL BETWEEN FRENCH COMMUNISTS AND SOCIALISTS CONTINUES. AND HE IS HAVING SOME SUCCESS -- THE LATEST IFOP POPULARITY POLL SHOWS THAT 56 PERCENT OF THE PUBLIC (UP FROM 52 PERCENT

IN JANUARY) APPROVES OF HIS POLICIES. HE WANTS HIS
REFORM PROGRAM TO DIFFER FROM THAT OF DE GAULLE, WHO
SAW NO NECESSITY FOR PUBLIC DEBATE, AND FROM THAT OF
POMPIDOU, WHO SAW NO NECESSITY FOR ANY REAL REFORM.
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BUT IT WILL TAKE MORE THAN SPEECHES TO CONVINCE A
CYNICAL PUBLIC THAT GISCARD'S INTENTIONS ARE GENUINELY
LIBERAL, AND THAT HE REALLY INTENDS TO REACH DECISIONS
ON REFORMS IN A WAY THAT WILL GIVE EACH FRENCHMAN A
SENSE OF PERSONAL INVOLVEMENT.

6. TIMING OF LATEST FIRESIDE CHAT WAS UNDOUBTEDLY
INFLUENCED BY FACT THAT INFLATION FIGURES FOR JANUARY
ARE ALMOST READY TO BE MADE PUBLIC, AND WILL ALMOST
CERTAINLY SURPASS 1 PERCENT (AS COMPARED TO 0.9 IN
NOVEMBER AND 0.8 IN DECEMBER). GISCARD OBVIOUSLY WANTED
A MINIMUM OF BAD ECONOMIC NEWS TO MAR HIS OPTIMISTIC
PRESENTATION.

7. POUCHING TEXT TO EUR/WE.
RUSH

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